

**MINUTES OF A MEETING OF THE
PENSIONS COMMITTEE
Town Hall, Main Road, Romford
31 October 2012 (7.30 - 8.05 pm)**

Present:

COUNCILLORS

Conservative Group Melvin Wallace (Chairman), Becky Bennett (Vice-Chair), Eric Munday and Roger Ramsey

Residents' Group Clarence Barrett (In place of Ron Ower)

Trade Union Observer Andy Hampshire

Apologies were received for the absence of Councillors Pat Murray, Ron Ower and Jeffrey Tucker and of John Giles Trade Union Observer.

The Chairman reminded Members of the action to be taken in an emergency.

13 MINUTES OF THE MEETING

The minutes of the meetings of the Committee held on 27 June, 30 August and 25 September, including the exempt minutes for the meeting held on 27 June 2012, were agreed as a correct record, subject to the addition of Councillor Munday's apologies for the meeting held on 27 June 2012, and signed by the Chairman.

14 WHISTLEBLOWING REQUIREMENTS OF THE PENSIONS ACT

Since April 2005 the Committee had been advised annually of any breaches of the law 'relevant to the administration of the pension scheme'. Each year the Group Director of Finance and Commerce undertook a review of the procedures in place to facilitate the reporting of any breaches.

The Committee **noted** that there was no need to amend the existing procedures, nor had there been any breaches in the last 12 months.

15 REVIEW OF THE PENSION FUND ACTUARY SERVICES 1ST APRIL 2010 - 31ST MARCH 2012

The Committee were advised that Hymans Robertson had been appointed as the Pension Fund Actuaries with effect from 1 April 2010. This was the first review of their performance. Since April 2010 the Actuaries had undertaken the following:

- (a) Completed the 2010 triennial actuarial valuation;
- (b) Attended the Pensions Committee and officer level meetings;
- (c) Provided data to the fund's investment adviser in preparation for their Asset Liability modelling;
- (d) Provided data for government departments;
- (e) Produced a revised Internal Dispute Resolution Process Guide and form;
- (f) Delivered Member training; and
- (g) Provided the calculation and provision of contribution rate assessments relating to the seven new Academies during 2011-12.

Officers advised the Committee that Hymans had delivered all relevant services in both a timely way and to a good quality.

The Committee asked whether the cost of providing the calculation and provision of contribution rate assessments for the seven new Academies during 2011-12 could be recovered from the Academies. Officers were asked to look into the position and advise members of the outcome.

The Committee **noted** the views of officers and that in future they would receive annual reviews of the Actuaries' performance.

16 **REVIEW OF THE PENSION FUND CUSTODIAN**

Officers had undertaken an annual review of the performance of the Pension Fund's Custodian - State Street, for the period April 2011 to March 2012. The Global Custodian - State Street operated a wide range of functions. These fell into two main categories:

- Safe Keeping and Custody, and
- Investment Accounting and Reporting.

State Street was required to maintain accurate records and certificates of the ownership of stock, and ensuring that dividend income and other distributions were received appropriately. They were also responsible for producing accounting records, which were considered to be the master records and used for accounting purposes. The reports were produced in a format to meet the needs of the Statement of Recommended Practice.

Officers advised the Committee that they were satisfied with the service provided by State Street and were pleased with the continued improvements made to the investment accounting and reporting functions.

Attention was drawn to the reduction in fees from £120,749 in 2010/11 to £56,051 in 2011/12. Officers explained that this was mainly attributable to not using an Active Global Fund Manager during 2011/12, and no fees for custody or transaction charges.

The Committee **noted** the report and asked officers to provide further details on the reduction in fees.

17 REVIEW OF INVESTMENT ADVISOR

The Committee considered their first review of the performance of the Investment Adviser, Hymans since their appointment in April 2012. Although Hymans has been the Fund's advisors since April 2006 they had changed the individual advisor who is assigned to the Council's Pension Fund just before being awarded the new contract.

When the new contract was awarded a set of criteria was defined as part of the specification. These were:

- Attendance at Committee Meetings
- Investment Advice
 - Setting Investment Strategy
 - Investment Management structure
 - Appointing an investment Manager
 - Monitoring an investment Manager
 - Other responsibilities (advising on statement of investment principles, custody, setting investment guidelines etc.)
- The value they will/could add to the decision making process
- The level of Pro-Activity expected from the adviser
- Support arrangements

In addition officers had selected other criteria against which the advisors should be assessed against. They were:

- Communications and advice are clear, timely, accurate, challenging and comprehensive
- Provision of advice to officers and members include comprehensive options and is encouraged to test the alternatives to decisions being made
- A partnership approach to reaching investment decisions

Officers informed the Committee that Hymans were fulfilling all these criteria.

The Committee **noted** the report.

18 **REVIEW OF GOVERNANCE COMPLIANCE STATEMENT**

Each year the Council as administering authority had a duty to review the Pension Fund's Governance Compliance Statement. The committee gave consideration to the following key points:

Listed below are the areas where the authority was currently not fully compliant. The Committee were informed that the authority did not have to be fully compliant but where it was not the authority had to state why.

- **Principle B Representation Item (a) (iii)** – To meet the required standards all stakeholders were afforded the opportunity to be represented by, where appropriate, appointing independent observers. Members had previously considered whether or not to employ the services of an independent professional observer to participate in the governance arrangements and had decided against it on the basis that the current monitoring arrangements were sufficient for the size of the fund. They did not see any reason to change this decision.

Having considered the report and noted the tracked changes to the Governance Compliance Statement the Committee **approved** the Statement as submitted.

19 **PENSION FUND ANNUAL REPORT -YEAR ENDED 31 MARCH 2012**

The Committee gave consideration to the Pension Fund Annual report for the year ended 30th April 2012. The Committee questioned officers about inter alia, the performance indicators, especially those relating to the percentage of 'Transfers In' actuals processed within 15 days which were well below the target. The Group Director Finance and Commerce agreed to provide Members with an explanation for this figure. In addition officers were asked for explanations around the issue of cash flow and it was agreed these would be provided following the meeting. Similarly questions were asked about the relationship between Foreign Exchange Profits/(Losses) and derivatives. Again officers agreed to provide the required information following the meeting.

The Committee looked carefully at the assumptions made in the Actuarial valuation and given the current extraordinary financial situation asked that the actuaries be asked to review their assumptions, specifically regarding future pay increases.

The Committee **agreed:**

1. the 2011/12 Pension Fund Annual Report;
2. that the Pension Fund Annual Report be published electronically; and
3. to authorise the Chairman and Group Director of Finance and Commerce to formally sign off the Annual Report.

Chairman